

Minutes of Meeting
Health Services Council
Project Review Committee-I

DATE: 21 September 2004

TIME: 3:00 PM

LOCATION: Health Policy Forum

ATTENDANCE:

Committee I: Present: Victoria Almeida (Vice Chair), Edward F. Almon, Robert L. Bernstein, Marvin Greenberg, Robert S.L. Kinder, MD, Robert J. Quigley, DC, (Chair)

Not Present: John Keimig, Robert Ricci, Robert Whiteside, John Young, William B. Zuccarelli

Staff: Valentina D. Adamova, Michael K. Dexter

Public: (see attached)

1. Call to Order, Approval of Minutes and Conflict of Interest Forms

The meeting was called to order at 3:00 PM. The minutes of the 10, 17 and 24 August 2004 and 14 September 2004 meetings of the Project

Review Committee-I were approved as submitted. Staff noted that conflict of interest forms are available to any member who may have a conflict.

2. General Order of Business

The first item on the agenda was the application of Renal Care Group, Inc. and Titan Merger Subsidiary, Inc. for a Change in Effective Control of National Nephrology Associates, Inc. and NNA of Rhode Island, Inc. d/b/a NNA of Providence and NNA of Pawtucket. Staff noted that the outstanding issue was the track and licensure record of the applicant's facilities in other states. Staff stated that the state of Indiana cited a deficiency in the federal survey but noted that Indiana itself doesn't license these facilities. Staff stated it was requested that the applicant provide evidence that its facilities are in substantial compliance. Staff noted that a letter to from the state of Indiana was received saying that this was a federal matter and the state of Indiana was not pursuing this. Staff noted that the letter has been provided to the Committee. Staff stated that it received an advisory from the Office of Facilities Regulations and read into the record: 'I have reviewed documents and surveys currently owned by Renal Care Group. Based on this review, all facilities are currently in substantial compliance. Therefore would recommend approval for a change of ownership.' Staff noted that Mr. Goulet, legal counsel to the applicant, was present to answer questions.

A motion was made, seconded and passed by a vote of six in favor and none opposed (6-0) to recommend that the application be approved to go before Health Services Council on 28 September 2004.

The next item on the agenda was the application of Rhode Island Hospital for a Certificate of Need to establish a Pediatric Imaging Center and renovate space in the Hasbro Emergency Department. Staff noted that the Committee received the applicant's responses to questions and a cost impact statement from Blue Cross & Blue Shield of RI. Staff read the following from the cost impact statement into the record: 'the state wide impact of the \$4,482,000 annual operating cost of this proposal would increase statewide spending in 2008 by 0.17%. The resulting impact on premium rate would be approximately 0.08% or \$0.28 per member per month. Since this proposal deals with the pediatric, i. e. non-Medicare population, there will be no additional cost to the Federal Medicare program.' Staff noted that the applicant provided a financial summary which has been distributed to the Committee.

Mr. Macri, Executive Vice President of Rhode Island Hospital, stated that during the site visit at Rhode Island Hospital ("RIH") for both CON applications there were questions regarding the status of RIH's

projects over the last few years, funding sources, and status of the endowment. He made a presentation to the Committee with regards to the financial summary as follows:

- o Page 1 shows that total capital costs for all the projects were \$113 million of which \$40.8 million was funded in debt and \$72.2 million was funded in equity.
- o RIH jointly with The Miriam Hospital had a bond issue worth \$50 million of which \$40.8 million belongs to RIH.
- o Page 2 shows how \$72.2 million in equity will be funded: \$13 million from cash and unrestricted investments, \$46 million from fundraising and \$13.2 million from future operations/investments earnings, and board designated investments.
- o Page 3 shows the status of the endowment fund. As of 9/30/03 there was \$359.6 million in the endowment of which \$146.9 million is unrestricted and \$212.7 million is restricted.
- o S & P bond rating for RIH and The Miriam Hospital is BBB.

The Chairman asked the applicant to address capital costs of future RIH projects. Mr. Macri stated that the range for future bed projects is from \$50 to \$90 million, which will take place over the next 5 years. He stated that all of the projects include contingencies for unexpected events during construction such as increases in commodity costs.

To the question regarding their bond rating, the applicant stated that BBB is considered investment grade and the hospital expects to do better in the future. The applicant noted that the hospital would need

three years of profitable operations to have the rating upgraded and is currently going on a second year.

Mr. Greenberg stated that the waiting times identified in the applicant's responses vary from those provided in the application. Mr. Olmstead stated that these are the current waiting times and the times provided in the application were the waiting times at that point. He noted that these waiting times are for scheduled appointments for diagnostic imaging studies for children that require sedation. He stated that the complicated factors are the scheduling of the anesthesiologist, nurse practitioners and others, which requires advance notice. He noted that there are no waiting times for emergency cases.

Staff inquired if a MRI requiring sedation could only be performed in a hospital setting. Mr. Olmstead stated that it is only done in a hospital setting because in this area there are no physicians who are performing pediatric sedation in their offices.

Staff inquired as to what use The Miriam Hospital put its portion of the bond offering. Mr. Macri stated that approximately \$10 million was used to buy equipment so the hospital would have the cash to apply as equity to projects. The applicant confirmed that there has been no change in financing in any certificate of need proposals as a result of the bond issue.

Dr. Kinder commented that there aren't any freestanding facilities that perform sedation of children. The applicant confirmed that and stated that such facilities would have to have a certified anesthesiologist and all the other associated equipment in case of an emergency.

A motion was made, seconded and passed by a vote of six in favor and none opposed (6-0) to recommend that the application be approved to go before Health Services Council on 28 September 2004. Those members voting in favor were: Almeida, Almon, Bernstein, Greenberg, Kinder, Quigley.

The next item on the agenda was the application of Rhode Island Hospital for a Certificate of Need to Upgrade Surgical Intensive Care and Step Down Beds through renovation and construction. Staff read the following from the cost impact statement from Blue Cross & Blue Shield of RI into the record: 'the \$3,075,000 in annual operating cost of this proposal would increase statewide spending in 2008 by 0.12%. The resulting impact on premium rates would be approximately 0.06% or \$0.21 per member per month. The additional cost to the Medicare program is estimated to be \$1,266,000.' Staff noted that the applicant provided responses to Committee questions.

Staff inquired as to the status of the approval by the City Planning Commission of the updated Institutional Master Plan ("IMP") for Rhode Island Hospital. Mr. Macri stated that there was a preliminary

recommendation from the Planning Commission and there is going to be a meeting later today regarding this at which the hospital expects to receive approval. The Chairman stated that any approval of this proposal would be contingent upon the receipt of approval from the City Planning Commission of the IMP.

A motion was made, seconded and passed by a vote of six in favor and none opposed (6-0) to recommend that the application be approved to go before Health Services Council on 28 September 2004 contingent upon the approval by the City Planning Commission of the IMP. Those members voting in favor were: Almeida, Almon, Bernstein, Greenberg, Kinder, Quigley.

There being no further business the meeting was adjourned at 3:25 PM.

Respectfully submitted,

Valentina D. Adamova